

VZCZCXYZ0000  
RR RUEHWEB

DE RUEHBU #0360/01 0542029  
ZNR UUUUU ZZH  
R 232029Z FEB 07  
FM AMEMBASSY BUENOS AIRES  
TO RUEHC/SECSTATE WASHDC 7370  
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUCPDOG/USDOC WASHINGTON DC  
RUEHC/DEPT OF LABOR WASHINGTON DC  
RHMFIUU/HQ USSOUTHCOM MIAMI FL  
RUEHAC/AMEMBASSY ASUNCION 5962  
RUEHCV/AMEMBASSY CARACAS 1086  
RUEHMN/AMEMBASSY MONTEVIDEO 6202  
RUEHSG/AMEMBASSY SANTIAGO 0205  
RUEHBR/AMEMBASSY BRASILIA 5809  
RUEHLP/AMEMBASSY LA PAZ FEB SAO PAULO 3182  
RUEHRI/AMCONSUL RIO DE JANEIRO 2166

UNCLAS BUENOS AIRES 000360

SIPDIS

SIPDIS  
SENSITIVE

WHA FOR WHA/BSC, WHA/AND AND WHA/EPSC  
E FOR THOMAS PIERCE  
EB/CBA FOR FMERMOUD, DENNIS WINSTEAD  
EB/IFD/OIA FOR WSCHOLZ, MTRACTON  
EB/IFD/OMA FOR AHAVILAND AND ASIROTIC  
PASS NSC FOR JOSE CARDENAS  
PASS FED BOARD OF GOVERNORS FOR PATRICE ROBITAILLE  
PASS USTR FOR EEISSENSTAT, SCRININ  
TREASURY FOR RALBANO AND LTRAN  
USDOC FOR 4322/ITA/MAC/OLAC/PEACHER  
US SOUTHCOM FOR POLAD

E.O. 12958: N/A

TAGS: [EINV](#) [ECON](#) [ENRG](#) [EPET](#) [AR](#) [VZ](#)

SUBJECT: ARGENTINE PERSPECTIVE ON KIRCHNER'S VENEZUELA VISIT

Ref: Buenos Aires 311

-----  
Summary  
-----

¶1. (SBU) Deliverables from President Kirchner's February 21-22 visit to Venezuela included \$750 million in bond financing, a \$135 million rescue package for emblematic Argentine dairy cooperative SanCor, a raft of largely symbolic bilateral MOUs that included creation of a regional development bank and joint oil exploration in the Orinoco, and some compelling economic nationalist theater. Local media coverage of Kirchner's trip was extensive, highlighting his comment that Argentina "will not contain Venezuela." Media also favorably noted Kirchner's meeting with Venezuelan Jewish community leaders in the face of overt GoV support for Iran. GoA contacts emphasized to us that Argentina's relationship with Caracas remains eminently pragmatic and largely commercial; that we can expect continued substantive but low key cooperation with the U.S.; but that in a pre-election year where populist appeals to the center-left will be an integral part of the Kirchner administration's campaign strategy, we can also anticipate periodic populist expressions of "Bolivarian solidarity" with Chavez (who is reported to be planning a return visit to Buenos Aires in early March). END SUMMARY

-----  
Seventeen Agreements...  
-----

¶2. (U) President Kirchner visited Venezuela February 21-22, accompanied by Planning Minister De Vido, Economy Minister Miceli, Foreign Minister Taiana, Santa Fe province Governor Obeid (where dairy cooperative SanCor is based), Finance Secretary Chodos, and numerous other federal government officials, parliamentarians and Argentine agricultural private sector representatives. All

delegation events were built around the signing of a series of bilateral GoA/GoV accords in Puerto Ordaz, with the exception of Kirchner's separate meeting with representatives of the Venezuelan Jewish community.

13. (U) The two Presidents signed seventeen separate agreements during the visit, including joint cooperation agreements between the two countries' Ministries of Planning, Economy, and Foreign Affairs, and specific agreements on science/technology cooperation. They also signed agreements on phyto-sanitary standard cooperation, electricity technology cooperation, low-income housing construction technology cooperation, and communication technology cooperation. In addition, MOUs were signed for the transfer of Argentine compressed natural gas technology for bus and car transportation. According to local media reports, President Chavez plans to repay Kirchner with his own visit to Argentina, possibly in early March.

#### ----- Development Banks and Oil Deals -----

14. (SBU) Kirchner and Chavez also signed an MOU to create a "Bank of the South" development bank that, according to local media, would be designed to supplement and eventually supplant "conditioned and paternalistic" multilateral development bank (World Bank and IDB) infrastructure project funding in the region. (Note: GoA contacts report no/no discussion during the visit of plans for either GoV or GoA capital contributions to the new development bank. End Note). As anticipated (reftel), Kirchner and Chavez also signed an agreement to have GoA national oil company ENARSA jointly exploit with GoV-owned Petroleos de Venezuela (PdVSA) an upstream exploration block in Venezuela's Orinoco region. (Note: Independent energy analysts here see any GoA/GoV petroleum exploration agreement

in Venezuela as largely symbolic, given that ENARSA brings little to the table in the way of financial resources. End Note). Local media is also reporting that, as a result of this successful visit, Argentina will allow Chavez to expand PDVSA activities in Argentina by facilitating the purchase of local oil company RHASA, together with a network of 150 gasoline stations in Buenos Aires.

#### ----- Debt Financing and SanCor Dairy Cooperative Rescue -----

15. (SBU) The most significant single announcement was the planned February 26 launch of a \$1.5 billion second tranche of the "Bono del Sur." The bond will be a bundle of \$750 million of Argentine Boden 15 bond, with a \$750 million Venezuelan fixed-coupon issue. (Note: As in the prior Bono del Sur issue, there will be no cross default clauses and international financial markets will trade the two issues independently. End Note). Finally, an agreement was signed whereby the GoV's state-owned Banco Nacional de Desarrollo Economico y Social de Venezuela (BANDES) will provide a \$135 million assistance package to Argentina's second largest dairy cooperative, SanCor, in exchange for long term payments in the form of powdered milk and technology transfer. (Note: The financially troubled dairy cooperative was to have been sold to a Soros-linked investment fund before this GoV offer was accepted by SanCor in the fall of 2006. End note).

#### ----- Polemics: Argentina Will Not "Contain" Venezuela -----

16. (SBU) During the agreements signing ceremony, Kirchner commented "we are and will be absolutely respectful, both of us, of the relations and internal situations in our countries...It is said that some countries should 'contain' others, that Lula and I should 'contain' Chavez. That is absolutely wrong. Together with our brother, President Chavez, we are building integration in South America for the dignity of our peoples." Local Argentine media took Kirchner's remark as a response to comments made during the February 8-9 visit to Argentina of Undersecretary Burns and Assistant Secretary Shannon (septels) that the U.S. could work well with

SIPDIS

governments like Argentina and Brazil but that Venezuela was "another matter." In response to Kirchner's comments, local media reports that Chavez said "they have failed and will fail -- the travelers from the North who are coming to the South to try to divide us, to sow discord."

-----  
Comment: Economic Nationalism on Display  
-----

17. (SBU) Local media coverage of Kirchner's visit was extensive, highlighting his "we will not contain Venezuela" comment as a gratuitous populist slap at the U.S. that will have little impact on ongoing and pragmatic GoA efforts to improve bilateral GoA/USG relations. Media also favorably noted Kirchner's meeting with Venezuelan Jewish community leaders, in the face of overt GoV support for Iran, as another step in GoA efforts to smooth some of Chavez' rough foreign policy edges.

18. (SBU) The Venezuelan rescue package for dairy cooperative SanCor was originally presented by the GoV last fall as a helping hand by a "brother Bolivarian republic" to prevent an emblematic Argentine dairy cooperative from falling under U.S. control. Similarly, local media and some GoA Economy Ministry contacts speculate that President Kirchner's February 6 criticism of Embassy advocacy on behalf of a U.S. investment fund's efforts to purchase a minority stake in Argentina's electricity transmission grid was linked to

this Kirchner/Chavez meeting. "It was a throwaway gesture for Chavez, who applauds any affirmation of economic nationalism and especially those that attack Washington," said one GoA Economy Ministry official. Such populist theater may play well here in a pre-election year, but the cost to Argentina in terms of attracting needed foreign investment capital is real.

19. (SBU) Beyond the SanCor rescue, the theater of economic nationalism played out in the largely symbolic agreements signed on the creation of (yet another) regional development bank and of joint ENARSA/PDVSA oil exploration in the Orinoco. The GoV agreement to purchase \$750 million of GoA debt -- on top of \$3.5 billion it purchased last year -- was arguably the only concrete GoV deliverable that President Kirchner took away from this visit. The GoV's PDVSA, in turn, gets expanded access to the Argentine retail petroleum market. On their return from Caracas, our Planning, Economy and Foreign Ministry contacts emphasized that Argentina's relationship with Caracas remains eminently pragmatic and largely commercial. We can expect continued substantive but low key cooperation with the U.S. But, in a pre-election year where populist appeals to the center-left will be an integral part of the Kirchner administration's campaign strategy, we can also anticipate periodic expressions of "Bolivarian solidarity" with Chavez.

WAYNE